

Message Text

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ACTION EB-08

INFO OCT-01 ARA-14 IO-14 ISO-00 AGRE-00 CEA-01 CIAE-00

DODE-00 FRB-01 H-02 INR-10 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-02 CTME-00 AID-05 SS-15 STR-07

ITC-01 TRSE-00 ICA-20 SP-02 SOE-02 OMB-01 DOE-15

JUSE-00 /138 W

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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 6634

USDOC WASHDC

INFO US MISSION GENEVA 0784

UNCLAS SECTION 1 OF 2 BUENOS AIRES 5661

USMTM

E.O. 11652: N/A

TAGS: ETRD,EFIN,AR

SUBJECT: CHANGES IN IMPORT TARIFFS, FINANCING ARRANGEMENTS, ANTI
DUMPING REGULATIONS

REF: A) BA-4314; B) BA-2814; C) 76 BA-4636

1. MINISTRY OF ECONOMY RESOLUTION 819 OF JUNE 15, 1978
HAS REPEALED RESOLUTION 489 REPORTED ON IN REFTEL A.
THUS, THE TARIFFS IN EFFECT APR 11 ON LINE NO.
90 AND 99 ITEMS WITHIN VARIOUS BTN CHAPTER CATEGORIES
ARE STILL VALID; THESE TARIFFS RANGE FROM 50 TO 80
PERCENT. HOWEVER, THE LIFTING OF THE IMPORT SUSPENSION
ON QUOTE OTHER UNQUOTE MOTOR VEHICLE CHASSIS, AUTO-
MOBILES, AND TRASPORT VEHICLES, DECREED BY RESOLUTUION
489, IS STILL IN EFFECT. IN PLACE OF THE AUTOMATIC
TARIFF REDUCTIONS, THE RESOLUTUION REQUIRES THAT THE
SECRETARIAT FOR INDUSTRIAL DEVELOPMENT PROPOSE MODI-
FICATIONS IN THE TARIFF SCHEDULE BY DECEMBER 31, 1978
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SO THAT GOODS NOT PRODUCED IN ARGENTINA (WHICH COM-
PRISE THE MAJORITY OF TIEMS WITHIN LINE NO. 90
AND 99) CAN ENTER WITH MINIMUM TARIFF LEVELS.

2. THE CENTRAL BANK HAS ISSUED RESOLUTUION 760 ON JUNE
30, 1978 DEALING WITH FINANCING OF CAPITAL GOODS IM-
PORTS. THIS RESOLUTUION SUPERSEDES RESOLUTION 732

REPORTED ON IN REFTEL B. THE NEW RESOLUTION DOES NOT SPECIFY MINIMUM PAYMENT PERIODS WHICH IMPORTERS MUST OBTAIN DEPENDING ON THE VALUE OF IMPORTS: INSTEAD, THE IMPORTER AND THE SUPPLIER ARE FREE TO DETERMINE THE PAYMENT TERMS. HOWEVER, THE MAXIMUM DOWNPAYMENT PERMITTED ON ANY IMPORT TRANSACTION BEFORE THE GOODS ARE SHIPPED IS 20 PERCENT. ALSO, OPERATIONS OVER \$5 MILLION FOB REQUIRE THE PRIOR AUTHORIZATION OF THE CENTRAL BANK. IN ADDITION, THE RESOLUTION ALLOWS ADVANCE PAYMENT OF OUTSTANDING IMPORT BILLS WHOSE VALUE AND SCHEDULE OF PAYMENT WERE ESTABLISHED UNDER THE CONDITIONS OF EARLIER RESOLUTIONS (RESOLUTION 328 OF JUNE 15, 1967, RESOLUTION 524 OF APR 15, 1975, RESOLUTION 641 OF MAY 7, 1976 - REPORTED ON IN REFTEL C - OR RESOLUTION 732). AS UNDER RESOLUTION 732 STATE ENTERPRISES MUST SECURE THE CENTRAL BANK'S APPROVAL TO IMPORT ANY CAPITAL GOODS.

3. THE CENTRAL BANK ALSO ISSUED CIRCULAR R.C. 768 ON JULY 7, AUTHORIZING FINANCIAL INSTITUTIONS TO BUY AND SELL FOREIGN EXCHANGE FORWARD. THE AUTHORIZATION IS LIMITED TO FOREIGN EXCHANGE OPERATIONS WHICH ARE DIRECTLY TRADE RELATED AND THEREFORE DOES NOT PERMIT FORWARD FOREIGN EXCHANGE SALES AND PURCHASES WHICH ARE PURELY FINANCIAL IN NATURE. THE FORWARD FOREIGN EXCHANGE RATE WILL BE DETERMINED FREELY BY PRIVATE BUYERS AND SELLERS BUT THE CENTRAL BANK RESERVES THE UNCLASSIFIED

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RIGHT TO INTERVENE IF NECESSARY, TO AVOID SHARP FLUCTUATIONS IN THE EXCHANGE RATE. THE MATURITIES OF FORWARD EXCHANGE CONTRACTS MAY NOT EXCEED 180 DAYS, ALTHOUGH EXTENSION MAY BE OBTAINED FOR TECHNICAL REASONS.

4. LAW 21, 838, A NEW ANTI-DUMPING LAW REPLACING THE ONE DATING FROM 1963, HAS BEEN ENACTED. THE LAW'S PURPOSE IS TO FACILITATE THE IMPOSITION OF COUNTERVAILING DUTIES ON IMPORTS WHICH RECEIVE DIRECT OR INDIRECT SUBSIDIES (INCLUDING FAVORABLE EXCHANGE RATES OR REIMBURSEMENT OF DOMESTIC TAXES OR TRANSPORT COSTS) AND WHICH GRAVELY THREATENS EXISTING PRODUCTION, RECENTLY INITIATED PRODUCTION, AND THAT WHICH IS PLANNED FOR THE NEAR FUTURE. THE FIRST TWO CONDITIONS ARE MET IF THE PRICE OF THE IMPORTS IS LESS THAN 85 PERCENT OF THE ARGENTINE PRICE OF THE PRODUCTS, AVERAGED OUT OVER THE PAST 18 MONTHS IN CONSTANT TERMS. EVIDENCE OF EXPENDITURE FOR MACHINERY OR FACTORY CONSTRUCTION COSTS MUST BE SUBMITTED TO PROVE INJURY UNDER THE THIRD CATEGORY. HOWEVER, THE AUTHORITIES ARE ENJOINED TO CONSIDER WHETHER THE GRAVE DAMAGE CAUSED BY IMPORTS IS DUE TO SOME OTHER REASON

THAN THEIR BEING DUMPED (FOR EXAMPLE, A REDUCTION IN
OVERALL INTERNAL DEMAND FOR THE PRODUCTS). IF THE
PRODUCT IS NOT SOLD DOMESTICALLY BY THE PRODUCING
COUNTRY, IT CAN BE CONSIDERED TO BE DUMPED IF THE
PRICE IS LESS THAN THE EXPORT PRICE TO A THIRD COUN-
TRY OR AN ESTIMATED DOMESTIC SALES PRICE BASED ON A
CALCULATION OF THE PRODUCTION AND RETAIL COSTS PLUS
PROFIT. APPLICATIONS FOR COUNTERVAILING DUTIES ON
PRODUCTS CAN BE MADE BY AFFECTED MANUFACTURERS OR BY
AGENCIES OF NATIONAL AND PROVINCIAL GOVERNMENTS WITHIN
180 DAYS AFTER THE IMPORTS HAVE BEEN RELEASED BY
CUSTOMS. AUTHENTIC DOCUMENTATION OF THE DUMPING AND
ALLEGED INJURY MUST BE FURNISHED WITHIN 60 DAYS FOLLOWING
THE APPLICATION DATE OR THE INVESTIGATION WILL BE
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CANCELLED. AFTER RECEIVING THE SUPPORTING EVIDENCE,
THE AUTHORITIES MUST DECIDE WITHIN 15 DAYS WHETHER TO
INITIATE THE INVESTIGATION AND NOTIFY THE IMPORTER
AND OTHER AFFECTED COMPANIES. THE MINISTRY OF ECONOMY
WILL ADJUDICATE CLAIMS. A FINDING MUST BE MADE WITHIN
WILL ADJUDICATE CLAIMS.

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INFO OCT-01 ARA-14 IO-14 ISO-00 AGRE-00 CEA-01 CIAE-00
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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 6635

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INFO US MISSION GENEVA 0785

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A FINDING MUST BE MADE WITHIN 90 DAYS FOLLOWING THE RECEIPT OF PROOF FROM THE ORGANIZATION MAKING THE APPLICATION AND ANY COUNTERVAILING DUTIES IMPOSED WILL TAKE EFFECT 60 DAYS THEREAFTER. BEFORE THE CONCLUSION OF THE INVESTIGATION, THE AUTHORITIES CAN REQUIRE THAT A GUARANTEE BE MADE TO PAY THE COUNTERVAILING DUTY (VALID FOR SIX MONTHS); THE LAW'S IMPLEMENTING REGULATIONS WILL DETERMINE TO WHICH AUTHORITY THE GUARANTEE MUST BE MADE. THE LAW ALSO ALLOWS THAT IN EXCEPTIONAL CASES WHERE IT IS NOT POSSIBLE TO DETERMINE PRECISELY THE AMOUNT OF COUNTERVAILING DUTY TO BE IMPOSED TEMPORARILY VARIABLE DUTIES CAN BE ESTABLISHED. THIS CONDITION APPLIES TO PRODUCTS WHOSE PRICE HAS BEEN REDUCED FOR SEASONAL OR OTHER EXCEPTION REASONS BUT NOT FOR NORMAL PRICE REDUCTIONS OR THOSE CAUSED BY TECHNOLOGICAL OBSOLENCE. THESE VARIABLE DUTIES CAN REMAIN IN EFFECT FROM 3 TO 18 MONTHS AND CAN BE SUBSTITUTED FOR ANTIDUMPING AND COMPENSATORY DUTIES. THE LAW APPLIES TO IMPORTS WHOSE SALES CONTRACTS WERE SIGNED FOLLOWING THE LAW'S ENTRY INTO FORCE JULY 13, 1978.

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5. COMMENTS: RESOLUTION 819 WAS ADOPTED BECAUSE AFFECTED MANUFACTURERS LACKED ENOUGH TIME TO PRESENT REQUESTS FOR SEPARATE TARIFF CLASSIFICATIONS FOR LOCALLY PRODUCED ITEMS INCLUDED IN LINES NO. 90 AND 99, AS RESOLUTION 489 ALLOWED THEM TO DO. BY LEAVING THE LOCAL PRODUCTS WITHIN THE LINE 90 OR 99 CLASSIFICATIONS, THIS RESOLUTION PLACES THE RESPONSIBILITY ON THE ARGENTINE GOVERNMENT TO SINGLE OUT NON-LOCALLY PRODUCED GOODS FOR LOWER TARIFF TREATMENT. THE ADOPTION OF CENTRAL BANK RESOLUTION 760 IS DUE TO THE VAST FOREIGN EXCHANGE RESERVES WHICH ARGENTINA HAS ACCUMULATED ABOUT \$5.5 BILLION CURRENCY OR OVER 16 MONTHS OF IMPORTS. THIS SITUATION OBVIATES THE NEED FOR FIXING MINIMUM REPAYMENT TERMS. ALLOWING IMPORTERS TO PAY CASH WHEN THEY PREFER OR MAKING SHORTER TERM PAYMENTS ALSO HELPS REDUCE THE INFLATIONARY IMPACT OF LARGE NET FOREIGN EXCHANGE INFLOWS. CENTRAL BANK RESOLUTION 768 WAS DESIGNED TO GIVE EXPORTERS MORE SECURITY REGARDING THE EXCHANGE RATE AT WHICH THEY WOULD BE PAID FOR THEIR EXPORTS, AS WELL AS TO REDUCE THE SEASONAL IMPACT OF EXPORTS ON THE EXCHANGE RATE, NOW THAT THE CENTRAL BANK HAS ADOPTED A QUOTE FREE MARKET UNQUOTE EXCHANGE RATE SYSTEM. THERE WERE VERY FEW FOREIGN EXCHANGE RATE OPERATIONS DURING THE FIRST WEEK RESOLUTION 768 WAS IN EFFECT, PRIMARILY BECAUSE IMPORTERS ARE SHOWING LITTLE INTEREST IN THE FORWARD EXCHANGE MARKET.

THE ANTI-DUMPING MEASURE WAS ADOPTED IN VIEW OF THE
REDUCTION IN IMPORT TARIFFS WITHIN THE PAST 1-1/2 YEARS.
WHILE THE GOA DESIRES TO FACILITATE THE ENTRY OF
IMPORTED GOODS, IN ORDER TO PREVENT EXCESSIVE PRICE
RISES IN LOCALLY MADE PRODUCTS, IT DOES NOT WANT TO
BE SWAMPED WITH FOREIGN GOODS WHICH ARE DUMPED. THE
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LAW'S DEFINITION OF DUMPING IS SIMILAR TO THAT OF
GATT WHICH IS FAIRLY STRICT.
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